

Message Text

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SUBJ: ADDITIONAL COMMENTS GLEANED FROM CONVERSATIONS
WITH BUSINESS COMMUNITY LEADERS.

REF: TEGUCIGALPA 1662

SUMMARY: KEY ECONOMIC ADVISORS TO MELGAR BELIEVED TO BE
VICENTE WILLIAMS, GUILLERMO BUESO, AND CESAR BATRES.
RUMORS ARE STRONG THAT MOST SEMI-AUTONOMOUS GOVERNMENT
AGENCIES HEADS WILL BE REPLACED. HEWIYN GENERAL THAT NEW
MINISTERS ARE HONEST, CAPABLE, AND PRO-PRIVATE ENTERPRISE.
END SUMMARY.

1. CHIEF OF STATE MELGAR'S PRIMARY ECONOMIC POLICY ADVISORS
ARE VICENTE WILLIAMS, HEAD OF A LARGE CONSTRUCTION FIRM,
SON OF GENERAL WILLIAMS, (WHO WAS VICE PRESIDENT UNDER RENE
CRUZ), AND STRONG CHRISTIAN DEMOCRAT. IDEOLOGICALLY CONSIDERED
BY SOME IN THE PRIVATE SECTOR AS SOCIALIST IN GOVERNMENTAL
AFFAIRS. SECOND ADVISOR, CESAR BATRES IS WELL KNOWN
FORMER MINISTER OF FOREIGN RELATIONS AND HEAD OF LOCAL LAW
FIRM. HE IS CONSIDERED AS CONSERVATIVE IN THIS POLITICS.

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THIRD MEMBER, GUILLERMO BUESO, PRESENTLY IS GENERAL

MANAGER OF CENTRAL BANK AND KNOWN TO WASHINGTON FOR HIS WORK IN INTERNATIONAL FINANCE WITH INTERNATIONAL MONETARY FUND.

HE IS CONSIDERED THE BEST MONETARY EXPERT IN HONDURAS, PRO-PRIVATE ENTERPRISE AND FAVORABLY DISPOSED TOWARDS THE U.S. THIS ADVISORY GROUP APPEARS TO HAVE BOTH QUALITY AND DIVERSITY OF OPINION AND IS REPORTEDLY HIGHLY INFLUENTIAL IN THE EARLY STAGES OF THIS NEW GOVERNMENT. SOME OBSERVERS BELIEVE BUESO SELECTED MINFIN ZAVALA. ZAVALA WORKED UNDER BUESO IN THE CENTRAL BANK.

2. CHANGES ARE EXPECTED IN MOST POSITIONS OF GOVERNMENT LEADERSHIP. GALEANO OF THE CENTRAL BANK IS POSSIBLY TO BE NAMED TO THE SUPREME COURT. RAMIREZ TO LEAVE AS CHIEF JUSTICE. GUILLERMO BUESO (OR JORGE BUESO, HIS ELDER BROTHER) TO BECOME PRESIDENT OF CENTRAL BANK. THERE ARE RUMORS THAT RICARDO REYES WILL LEAVE COHDEFOR, THE STATE LUMBER CORPORATION, THAT ANTONIO COELLO WILL LEAVE PORT AUTHORITY AND CABALLERO WILL BE REPLACED IN THE STATE POWER COMPANY, ENEE. LIKEWISE IT IS THOUGHT THAT GUILLERMO MEDINA SANTOS, HEAD OF THE DEVELOPMENT BANK WILL LEAVE. FOR EACH OF THESE POSITIONS THERE IS A SIGNIFICANT LIST OF POTENTIAL DESIGNEES. ALL FOUR INCUMBENTS HAVE SHOWN HIGH ADMINISTRATIVE CAPABILITY AND POLITICAL CIMPETENCE AND MAY REMAIN IN GOVERNMENT, PERHAPS WITH OTHER RESPONSIBILITIES. IMPORTANT CONCLUSION IS THAT NEW GOVERNMENT FEELS OBLIGATED TO SWEEP CLEAN, AT LEAST THE SENIOR LEVELS.

3. THE VIEW THAT THE NEW CABINET IS HONEST AND QUALIFIED WAS APPLIED TO THE PREVIOUS CABINET WHEN FIRST NAMED IN 1972. THE DIFFERENCE IS A PRO-FREE ENTERPRISE DISPOSITION AMONG SEVERAL OF THE NEW CABINET MEMBERS. HOWEVER, THE HONDURAN PRIVATE SECTOR SEEMS POORLY ORGANIZED TO ENTER INTO GIVE-AND-TAKE TO ESTABLISH A STRONG ONGOING RELATIONSHIP WITH CABINET OFFICIALS. WITH THE GOVERNMENT NOW CHANGED, IT IS UP TO THE PRIVATE SECTOR TO TAKE INITIATIVE AND BE RESPONSIVE. ONE IMMEDIATE ACTION AREA MAY DEVELOP FROM THE KNOWN DISPOSITION OF THE NEW MINISTER OF FINANCE ZAVALA TOWARD ENFORCING THE TAX LAWS. HE REPORTEDLY INTENDS A MAJOR CRACK-DOWN ON TAX VIOLATORS AND WILL NEED PRIVATE SECTOR ORGANIZATION

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SUPPORT. IN RETURN FOR THIS SUPPORT PRIVATE SECTOR CAN SEEK FULL ACCOUNTABILITY FOR THE USE OF FUNDS IN THE WAYS INTENDED BY LAW. A COOPERATIVE DIALOGUE ON THIS ISSUE COULD ESTABLISH A GOOD WORKING RELATIONSHIP. OTHER ISSUES OF MAJOR IMPORTANCE WOULD INCLUDE ADMINISTRATION OF THE AGRARIAN REFORM LAW AND THE FORESTRY LAW AND COOPERATION BETWEEN THE PRIVATE SECTOR AND GOVERNMENT CONCERN ON COMMON MARKET ISSUES.

4. COMMENT: THERE IS OPTIMISM ON THE PART OF FOREIGN INVESTORS (IN FINANCE AND SMALL INDUSTRY) THAT THE NEW GOVERNMENT WILL BE EVEN HANDED IN DEALINGS WITH FOREIGN CAPITAL. IN GENERAL, THERE IS A TOUCH OF EUPHORIA IN THE HONDURAN PRIVATE SECTOR THAT IS BASED UPON THE EXPECTATION THAT THE STATIST TREND IS HONDURAN POLICIES CAN NOW BE STOPPED AND MODERATED TO PERMIT A MIXED ECONOMY. THERE MAY BE TOO MUCH OPTIMISM, AND AN HONEST MINISTER DOES NOT MAKE AN HONEST MINISTRY.
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